

PROGRAM SUMMARY AND FISCAL ANALYSIS

To be truly meaningful, any program of capital improvements must strike a balance between need and financial capability. The proposed FY 2003 - FY 2007 CIP (with future fiscal years to FY 2012) represents the level of public construction anticipated during the next eight years and mechanisms for financing it. The proposed capital program is discussed in the following section.

HIGHLIGHTS OF THE CAPITAL IMPROVEMENT PROGRAM

The five year FY 2003 - FY 2007 Capital Improvement Program (with future fiscal years to FY 2012) schedules funding to all identified capital needs of general County agencies, schools, sanitary sewer system, and County road and Metro related programs. As shown, the project funding amounts include appropriations received before FY 2002 or required after FY 2007. The total CIP also includes the capital programs of the two agencies which supply water to the County (Fairfax County Water Authority and City of Falls Church) as well as the road program of the Virginia Department of Transportation.

Development of the capital program has been guided by both the need for capital improvements and the fiscal constraints. The five-year program is funded from pay down or current year financing from the General Fund and bond sales through referendum in addition to other sources of financing such as federal funds, revenue bonds and system revenues. The County's fiscal ratios are projected to remain within adopted limits during this period.

REVIEW OF PROJECTS

The fiscal years 2003 - 2007 Capital Improvement Program represents the best estimate of new projects required over the next five years. The project descriptions contained in the document reflect current estimates of total project cost and building specifications and design. As implementation of each project nears the capital budget year, these costs are more specifically defined. In some cases, total project costs

cannot be listed or identified in the CIP until certain feasibility or cost studies are completed by the County or architectural and engineering consultants.

Before construction can occur, many projects will require review at various County levels to establish the extent and exact location of the facility. This review in most cases involves a public hearing before the County Planning Commission under 2232 Review provisions to determine the project's compatibility with the County's adopted Comprehensive Plan. After this review stage the specific requirements and details of each project can be finalized.

The FY 2003 - FY 2007 Program

The FY 2003-FY 2007 CIP primarily continues the scheduling of those projects included in last year's adopted Program and ensures that the ultimate completion of high priority projects is consistent with the County's fiscal policies and guidelines. A summary table of the entire program showing the total project and five year costs by each functional CIP area is included at the end of this section.

The following are the highlights of each individual program area for FY 2003-FY 2007 CIP period (with future fiscal years to 2012):

Fairfax County Public Schools

The Fairfax County Public Schools program element totals \$661.4 million over the FY 2003 to FY 2007 CIP period with a total project cost of \$1.783 billion. This program primarily focuses on the renovation and renewal of existing schools but also includes new construction, special education, facility program improvements and infrastructure management projects.

Fairfax County Park Authority

The Fairfax County Park Authority program contains 16 projects with a total cost project of \$173.3 million and a five-year CIP total cost of \$75.705 million for park development and land acquisition.

Northern Virginia Regional Park Authority

A total of 16 projects is included in the NVRPA CIP with a total funding requirement from all participating jurisdictions of \$46.691 million and \$3.755 million recommended for FY2003. Projects include land acquisition, expansion and renovation of existing facilities.

Fairfax County Public Libraries

There are no projects currently scheduled over the five-year CIP period for FY 2003-FY 2007. However, some of the older existing libraries in the County are in need of renovation and more space. Cost for renovation and expansion of existing facilities as well as new building construction for the Burke Centre Community Library, Oakton Community Library and Kingstowne Regional Library is anticipated to be funded by a future bond referendum.

Human Services

The proposed capital program for Human Services includes 3 projects totaling \$40.379 million with \$8.969 million scheduled over the five-year CIP period. This program area includes construction of a South County Center, and a Falls Church-McLean Children's Center at Lemon Road Elementary School. The School Age Child Care (SACC) program is a continuing project for which an annual contribution is scheduled to offset school operating and overhead costs associated with SACC centers.

Community Development

The Community Development element of the CIP consists of 14 projects totaling \$76.272 million. Projects presented in this program category include boys baseball and girls softball field lighting, girls fast

pitch maintenance, maintenance of school athletic fields, athletic field matching program, public improvements at Bailey's, Fairhaven, Gum Springs, James Lee and Jefferson Manor, and renovation and expansion of the James Lee Community Center and construction of the Lorton Senior Center, Herndon Senior Center and Sacramento Community Center.

Housing Development

The program for housing development includes 7 projects to provide affordable housing units. The total project cost for these projects is \$43.583 million.

Revitalization

The Revitalization program consist of 14 projects. The total project cost for these projects is \$65.123 million and \$18.133 for FY2003-FY2007.

Criminal Justice

The Capital Improvement Program for Criminal Justice includes 4 projects totaling \$180.474 million. The two major projects are the expansion of the Adult Detention Center facility at a cost of \$80.87 million and the expansion of the Judicial Center Building at a cost of \$70.97 million.

Public Safety

The Public Safety element consists of 15 projects which total \$74.522 million with \$36.555 million scheduled over the 5-year CIP period. A major component of this program category is the construction of new fire and rescue stations which include Fairfax Center, Wolf Trap and Crosspointe. Also included in this category is a traffic light signalization project at fire station locations and general Fire Academy improvements. Expansions of the Newington and West Ox Maintenance Facilities, expansions of the West Springfield District and Mount Vernon District Police Stations, construction of a Sully District

Police Station, Forensics Facility and a South County Animal Shelter are included.

Facilities Management and Maintenance

This program area includes \$19.014 million concentrated on 8 projects, seven of which will rehabilitate or extend the useful life of existing County facilities. These projects include the renovation of HVAC and electrical systems, roof repair and waterproofing, fire alarm system replacement, carpet replacement, emergency generator replacement, parking lot resurfacing and miscellaneous building and repair. Funding is also recommended to provide compliance with the American Disabilities Act (ADA).

Solid Waste Management

This program element of the CIP totals \$118.59 million and consists of 9 projects. A transfer station expansion, landfill improvements and funding for closure of the I-95 Landfill are major components of this program.

Neighborhood Improvement

This program area includes the construction of drainage improvements and the Neighborhood Improvement Program. These programs primarily are funded from approved bond referenda and general funds. Overall, this element contains 27 separate projects which total \$354.928 million with \$43.958 million recommended over the CIP period.

Sanitary Sewerage System

The Sanitary Sewerage System program places emphasis on increased and improved conveyance and treatment of the County's sanitary sewage. This section includes twelve projects with a total CIP cost of \$1.182 billion funded entirely through system revenues and revenue bonds.

The highlight of the sewer program is an increase in treatment capacity programmed at the Noman M. Cole and UOSA Treatment Plants. The Cole plant will be enlarged to 67 MGD. The UOSA plant will be

expanded to 54 MGD increasing the County's share to 27.6 MGD and the Arlington County Wastewater Treatment Plant will be upgraded to 40 MGD.

Water Supply

The major water supply projects are undertaken by the Fairfax County Water Authority and the City of Falls Church. Projects included in the current programs of these water suppliers are aimed at increasing the deliverability of water through the continued upgrading of storage, pumping and transmission facilities. The program includes 12 projects by the Water Authority and 5 projects by the City of Falls Church. The total project cost is \$679.209 million.

Transportation

The Transportation Element consists of 197 projects totaling \$4.056 billion and includes the state six-year program as well as Fairfax County projects. This section includes the following major components: Revenue Sharing Program, Fairfax County Road Bond Program, Public Transportation Projects, Trails and other Projects, Interstate System Construction Program, Primary System Construction Program, Toll Road Improvement Program, and the Secondary System Construction Program.

POLICY GUIDELINES

On October 22, 1975, the Board of Supervisors endorsed a set of policies designed to maintain the "Aaa" bond rating awarded to the County on that date by Moody's Investor Service, Inc. The policies were reinforced in October of 1978 when the County was awarded an "AAA" bond rating by Standard and Poor's Corporation. In addition, in the spring of 1997 the County received a triple A rating from Fitch Investor Services. The policies stress the close relationship between the planning and budgetary process.

On May 5, 1980, January 25, 1982 and July 8, 1985, the Board of Supervisors re-examined and revised these guidelines.

On August 1, 1988, the Board adopted a resolution to reaffirm ten principles of sound financial management as based on current economic conditions and the County's debt position. These principles are highlighted below:

1. The planning system in the County will continue as a dynamic process which is synchronized with the capital improvement program, capital budget and operating budget. The County's land use plans shall not be allowed to become static. There will continue to be periodic review of the plans at least every five years. Small area plans shall not be modified in isolation from and in contradistinction to contiguous plans.
2. Annual budgets shall continue to show fiscal restraint.
3. If a deficit appears to be forthcoming, the Board will reduce appropriations or increase revenues.
4. Net debt as a percentage of estimated market value should always remain less than 3 percent. The ratio of debt service expenditures as a percentage of Combined General Fund disbursements should remain under the 10 percent ceiling. The County will continue to emphasize pay-as-you-go capital financing. Financing capital projects from current revenues is indicative of the County's intent to show purposeful restraint in incurring long-term debt. To this end, for planning purposes, the target on annual sales will be \$150 million, or \$750 million over a five-year period, with a technical limit of \$175 million in any given year. This planning limit shall exist even though the ratio of debt to taxable property value remains less than 3 percent and the ratio of debt service to Combined General Fund expenditures less than 10 percent.
5. Fairfax County's cash management system is one of the best in the country and must continue to receive full support and cooperation from all county agencies, including the Public Schools. Such a system is an indication of the soundness and professionalism of the County's financial management process.
6. The budgetary process will continue to be oriented toward management by objective (MBO) and must continue deliberately toward full utilization of the system.
7. All efforts must be made to improve the productivity of the County's programs and its employees.
8. A continuing effort to reduce duplicative functions within the County government and the autonomous and semi-autonomous agencies, particularly those which receive appropriations from the General Fund, must be made.
9. So-called "underlying" debt must not expand beyond that already contemplated. The proliferation of additional sanitary districts for the purpose of incurring bonded indebtedness will be discouraged. Revenue bonds of agencies supported by the Combined General Fund will be analyzed carefully for fiscal soundness. The issuance of County revenue bonds will be subject to the most careful review and must be secured by extremely tight covenants to protect the name of the County.
10. Fairfax County must continue to diversify its economic base by encouraging commercial and, in particular, industrial employment and associated revenues. Such business and industry must be in accord with the plans and ordinances of the County.

POLICY ON FUNDING PLANNING COSTS

It is occasionally necessary to fund planning costs of capital projects in advance of project approval either by the Board of Supervisors or through referendum.

The following are the conditions under which such funding is authorized:

- If a project is mandated and the construction funds would have to come from the General Fund should the referendum fail. An example of a mandated facility is the County Courthouse where the County was clearly mandated by the courts to provide a new

facility. In this case, study funds were provided by the General Fund in order to expedite design and construction. In this instance the voter is being asked to approve bond funds as a funding source, not whether the project should be built.

- If a project is designated by the Board of Supervisors as critical and must be constructed. An example of this situation is the expansion of prisoner capacity for the Adult Detention Center. Design funds to alleviate the immediate overcrowding situation were approved by the Board in order to expedite construction.
- If a project were of such complexity that the Board of Supervisors determined that public understanding of the project would be enhanced through preliminary design. This design cost should not exceed 1 percent of the estimated total project cost.

This exception does not conflict with the voters choice as it does not commit the County to the expenditures of any further funds. In addition, it provides the voter with necessary information on which to base a decision.

- Finally, an advance from the General Fund would be appropriate if a referendum could not proceed in time to fund a needed project. For example, if a five year plan for a program area could not be developed in time for a referendum for facilities required by population increases, the General Fund could advance the design funds so that the facility could be completed in time to meet population needs. This would also reduce the cost of construction by lessening the impact of inflation.

FINANCING THE CIP

There are a number of funding options available for financing the proposed capital program. These range from direct County contributions such as the General Fund and bond sale proceeds to state and federal grants. In the CIP the following funding sources are identified:

- G - Direct payment from current County revenues; General Fund.
- BO - Payments from the proceeds of the sale of General Obligation Bonds. These bonds must be authorized at referendum by County voters and pledge the full faith and credit of the County to their repayment.
- BR - Payments from the proceeds for the sale of Revenue Bonds. These bonds pledge the revenue generating potential of a facility or utility system.
- S,F - Payments from state or federal grants-in-aid for specific projects (waste water treatment facilities, Community Development Block Grants) or direct state or federal participation (VDOT Highway Program).
- SR - Payments from the system revenues of an enterprise fund such as the Integrated Sewer System.
- SA - Payments derived from special tax assessments on property to pay for a specific project.
- RS - Payments from revenue sharing funds made available by the federal government.
- X - Other minor sources of capital such as a reimbursable contribution or a gift.
- U - Undetermined, funding to be identified.

Over the past several years, the County has developed a policy of funding major facility projects through the sale of General Obligation Bonds. In this way, the cost of the facility is spread over a number of years so that each generation of taxpayers contributes a proportionate share for the use of these long-term investments. By selectively utilizing bond financing, the County has also been able to benefit from its preferred borrowing status to minimize the impacts of inflation on construction costs. Bond referenda have most recently been approved to fund projects in the following program areas:

<u>Program</u>	<u>Approved By Voters</u>	<u>Amount (\$ million)</u>
Schools	11/6/2001	\$377.955
	11/2/1999	\$297.205
Parks		
Fairfax Co. Park Authority	11/3/1998	\$ 75.000
Northern Virginia Park Authority	11/3/1998	\$ 12.000
Neighborhood Improvement	11/7/1989	\$ 30.000
Transportation:		
Transportation Improvement.	4/12/1988	\$150.000
Primary and Secondary Roads	11/3/1992	\$ 80.000
Transit	11/3/1992	\$ 50.000
	11/6/1990	\$ 80.000
Storm Drainage	11/8/1988	\$ 12.000
Adult Detention Facilities	11/7/1989	\$ 94.330
Human Services	11/8/1988	\$ 16.800
Commercial & Redevelopment Areas		
	11/8/1988	\$ 32.000
Library Facilities	11/7/1989	\$ 39.100
Public Safety Facilities	11/3/1998	\$ 99.920
	11/7/1989	\$ 66.350
Juvenile Detention Facilities	11/7/1989	\$ 12.570

Proposed Pay Down Capital Expenditures
(\$ millions)

<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
\$16.200	\$15.000	\$15.000	\$15.000	\$15.000

FISCAL IMPACT OF THE CIP

Several relationships between debt, expenditures, and tax base have been developed by the municipal finance community. Two, which are given particular emphasis are, the ratio of expenditures for debt service to total expenditures and the ratio of net debt to the market value of taxable property. The former indicates the level of present (and future) expenditures necessary to support past borrowing while the later ratio gives an indication of a municipality's ability to generate sufficient revenue to retire its existing (and projected) debt. These ratios have been incorporated into the fiscal guidelines adopted by the Board of Supervisors. Both of these guidelines - net debt to market value to be below 3% and debt service to general fund disbursements to be below 10% - are fully recognized by the proposed 5-year CIP.

In addition to this proposed level of bond funding, it is proposed that certain capital projects be financed from the County's pay down program. Such requirements for pay down expenditures over the CIP period are detailed below.

**PROJECT COST SUMMARIES
ALL PROGRAMS AND PROJECTS
(\$000's)**

PROGRAM	TOTAL PROJECT COST /1	AUTHORIZED/ EXPENDED THRU FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	TOTAL FY2003-FY2007	TOTAL FY2008-FY2012 /2	ADDITIONAL NEEDED /3
Schools /4	1,783,070	341,408	136,664	132,145	126,677	134,270	131,615	661,371	414,699	365,592
County Park Authority	173,300	87,450	33,649	22,219	15,779	2,029	2,029	75,705	10,145	
Regional Park Authority	46,691		3,755	3,755	4,139	5,006	5,006	21,661	25,030	
Human Services	40,379	31,410	2,881	1,522	1,522	1,522	1,522	8,969	1,500	
Community Development	76,272	30,725	11,176	8,023	5,560	2,340	1,600	28,699	8,000	8,848
Housing Development	43,583	4,250	7,183	6,650				13,833		25,560
Revitalization	65,123	12,805	10,393	4,220	2,650	870		18,133		34,167
Criminal Justice	180,474	100,100	11,300	31,210	31,890			74,400		7,100
Public Safety	74,522	39,142	12,535	12,550	6,930	2,610	1,930	36,555		
Facilities Management	19,014		1,436	1,968	1,868	1,850	1,993	9,115	9,899	
Solid Waste	118,587	87,037		12,550				12,550	19,000	31,550
Neighborhood Improvement	354,803	7,240	7,385	8,877	8,907	9,757	8,907	43,833	32,935	271,500
Sanitary Sewer	1,181,739	625,015	61,722	67,901	38,891	40,600	37,709	246,823	68,570	241,331
Water Supply	679,209	210,907	102,210	95,429	85,664	53,100	24,108	360,511	98,691	9,100
Transportation /5	4,056,578	710,683	35,127	71,513	38,447	34,587	32,386	212,060		
TOTAL	\$8,893,344	\$2,288,172	\$437,416	\$480,532	\$368,924	\$288,541	\$248,805	\$1,824,218	\$688,469	\$994,748

/1 Total project cost may differ from proposed CIP cash flow due to difference in construction estimates and project contingencies.

/2 Some functional areas do not include information on full funding requirements from FY 2008 - FY 2012.

/3 Additional funds may need to be authorized or approved beyond the CIP timeframe in order to complete the project.

/4 The Board of Supervisors adoption of the CIP for FY 2003- FY 2007 allocates \$136.4 million in FY 2003 for school bond sales in order to accelerate the planning funds for Woodson High School and Glasgow Middle School renewals to FY 2003. The remaining CIP period will include \$130 million per year for schools bond sales. Additional increases to school bond sales will be reviewed.

/5 Total project cost for Transportation includes \$3.133 billion for VDOT's Plan but does not include cash flow for individual years from FY 2003-2007 for VDOT's Plan.